

OFFICE OF THE TREASURER

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The Treasury Note

A monthly newsletter of California municipal finance.
May 1, 2004

Recent Bond Sale Appointments

Economic Recovery Bond Program

Authorized by voters in the March 2004 statewide election, the Economic Recovery Bond Act provides an irrevocable pledge of revenue from the new quarter-cent state sales tax, which goes into effect July 1, 2004. The Economic Recovery Bonds represent the first time California has secured bonds with a statewide sales tax. The one-time program is capped at \$15 billion. The Bonds are scheduled to come to market in multiple tranches, with the first \$6-7 billion issue scheduled for May 4.

Book-Running Senior Manager: Lehman Brothers

Co-Senior Managers: Banc of America Securities LLC; Bear, Stearns & Co. Inc.; Citigroup Global Markets, Inc.; E.J. De La Rosa & Co., Inc.; Goldman, Sachs & Co.; JP Morgan Securities Inc.; Merrill Lynch & Co.; Morgan Stanley & Co., Inc.; and UBS Financial Services Inc.

Co-Financial Advisor: Montague DeRose & Associates and Lamont Financial Services Corporation

Swap Advisor: Investment Management Advisory Group, Inc.

Co-Bond Counsel: Orrick Herrington & Sutcliffe LLP and Quateman & Zidell LLP

Co-Disclosure Counsel: Sidley Austin Brown & Wood LLP and Lofton & Jennings

Special Counsel: Pillsbury Winthrop LLP

UCLA Anderson Forecast

The UCLA Anderson Forecast (the "Forecast") issued its quarterly economic report for California and the nation March 25, 2004. The Forecast projects an improving California economy, with modest movement towards leaving the tough recession behind. After three years of falling or weak growth, the recent data shows a growth in jobs and a decrease in the unemployment rate. At the national level, fairly steady gross domestic product (GDP) growth is indicated, averaging about 3.0 percent per year, through 2006. Moderate job growth is expected with the majority of jobs being created in the service sector.

Senior Economist Joe Hurd addressed California's economic outlook. The forecast projects an end to the recession with modest growth. He pointed out that the recession was "homed in" on the Bay Area and that it remains to be seen if new technology can bring its economy back. They predict California will see 1.0 percent job growth in non-farm employment in 2004 increasing to 2.0 percent in 2005 and 2.3 percent in 2006. The State's unemployment rate, which averaged 6.7 percent during 2003, is expected to drop to 6.1 percent by 2006. On the weaker side of the economy, Dr. Hurd believes that even with the cuts already suggested, the State will still need to cut approximately \$4 billion out of its fiscal 2004-2005 budget. He assumes the State budget cuts started in 2003 will accelerate by mid 2004 resulting in an additional loss of 25,000 jobs in state and local

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UCLA Anderson Forecast continued

government sectors. Personal income, which increased 3.7 percent in 2003, is expected to continue to rise by 4.9, 5.3, and 6.0 percent in 2004, 2005, and 2006 respectively. Due to the increases in employment and earnings, Dr. Hurd expects taxable sales growth of 4.2 percent in 2004, rising to 4.9 in 2005, and 5.9 in 2006.

Nationally, the Forecast predicts a modest improvement in economic conditions. Short-term interest rates are relatively low and expected to remain that way for most of 2004, with an up-tick to a historically normal level of just below 3.0 percent from late 2004 through late 2005.

Finally, the Forecast predicts that the State should see increases in employment, income, taxable sales, and consumer spending in 2004. During the current year, California will be challenged to gain control of its budget, households will spend less, and some of the upward pressure on home prices will ease as more homes are built. The situation should be better in 2005 and 2006 with payroll growth at 2.0 percent or better. The economists at UCLA indicate that the numbers may not sound very impressive, but they represent the best growth since 2000.

Bond Sales Calendar¹

If you are interested in purchasing any of the bonds listed below, please contact your broker two weeks before the sale date. For up to date information, check our website (www.treasurer.ca.gov) or contact *Investor Relations* at (800) 900-3873.

Proposed Bond Sale	PAR Amount	Sale Date
Economic Recovery Bonds (Fixed Rate)	\$6-7 billion	May 4, 2004
California Infrastructure & Economic Development Bank (I-Bank): California Insurance Guaranty Association (CIGA)	\$700 million	June 1, 2004
Economic Recovery Bonds (Variable Rate)	\$4-6 billion	June 2004
Department of Veterans Affairs: Home Purchase Revenue Bonds (Variable Rate)	\$140 million	June 2004
Public Works Board: UC Regents Various Projects	\$585-755 million	Fall 2004

¹*Subject to change; the ultimate amounts and sale dates can be affected by legal, market, and other factors.*

Submitting Bonds for Payment

To complete a transfer or payment transaction please submit securities and documentation according to your chosen method of delivery:

By United States Postal Service

(Registered mail with return receipt recommended)

The Bank of New York
Attention: Fiscal Agency Department
P.O. Box 11265
New York, NY 10286

By Physical or Overnight Courier Service (e.g.: Airborne, FedEx, UPS, etc.)

The Bank of New York
Corporate Trust Window
101 Barclay Street, 7E
New York, NY 10286

To contact the Bank of New York directly for customer service or account information please call (800) 548-5075 or (800) 438-5473. Please have your CUSIP number available when calling.

For information on walk-in bond presentation at the State Treasurer's Office in Sacramento, please contact *Bondholder Services* at (800) 900-3873.